

So, as I said, before you came, I am persuaded that, if we funneled \$6 billion of revenue-sharing funds into the State governments, close to half of that would go into education, and I think that is a worthy objective.

Senator PERCY. Dr. Heller, would you want to comment on the same question?

Mr. HELLER. I am just going to make an ad hominem comment. Given the Minnesota Legislature's action this past year, with its two-thirds conservative majority, of increasing university salaries by 20 percent, the State legislatures cannot be all bad.

And I think that expresses a little bit more than just a point of humor.

Maybe I have been unduly influenced by being exposed to government in Wisconsin and government in Minnesota over the years. But I find it difficult to reconcile some of these charges of irresponsibility, callousness, complete lobbying, with what I have observed.

Oh, sure, lobbies are powerful, but somehow or another we manage to muddle through to the kinds of results that Mr. Pechman has mentioned which, while by no means perfect, by no means as good as they ought to be, I think, are a good deal better than the attackers of this concept of revenue sharing are assuming. And I come back to the central point that revenue sharing itself can be an instrument to help improve the allocation and strengthen the fabric of State and local government.

Senator PERCY. Mr. Stein?

Mr. STEIN. I would like to comment on the answer given to your question. I think Mr. Pechman has evidence on what proportion of their additional expenditures States devote to education and other purposes. But I think there is a prior question which is what proportion of the grants will be devoted to additional expenditures; that is, you can look at it another way and say if the States have an additional \$6 billion, what proportion of it will be spent for State and local functions.

It seems to me the best evidence of this is what happens to the annual addition to the available incomes of the people of the States that accrues every year. Every year the incomes of the people of the States rise by much more than \$6 billion. What proportion of that do they devote to State and local services?

Well, it has been running something like 20 percent, and it seems to me a better guess, in answer to your question about what will happen if you put \$6 billion into the States, is that they will spend something like 20 percent of that, and of that 20 percent probably, as Mr. Pechman says, 50 percent will go to education. But these figures on the distribution of expenditures do not answer the question of what proportion of the grant would go for additional expenditures, and what proportion will go for less taxes than would otherwise have been raised.

Senator PERCY. Mr. Ulmer?

Mr. ULMER. I simply wanted to say that if, as Mr. Pechman says, he would hopefully expect that 50 percent of the tax sharing would go to education, and if this is really the objective, why not really strike at that objective? Why not devote \$3 billion, which would be half of the \$6 billion, to education and make sure this is what the money would be used for?